REGULATION

Treasury Eyes Cryptocurrencies For Money Laundering

By PYMNTS

Posted on January 18, 2018

The U.S. Treasury's financial crime unit is picking up enforcement of **cryptocurrency platforms** that don't have strong internal mechanisms in place to prevent money laundering, according to a report in **Reuters**.

Sigal Mandelker, the U.S. Treasury Department's undersecretary for terrorism and financial intelligence, told the Senate Banking Committee that the unit will go after virtual currency platforms – even those located outside of the U.S. – if they don't have the proper safeguards in place. The cryptocurrency platforms in the U.S. must comply with the **anti-money laundering** rules on the books, including the requirement to file reports about suspicious activity. The report noted that roughly 100 platforms have registered with the Financial Crimes Enforcement Network.

"The real vulnerability that we all have to address is that while we have regulatory authorities in place here in the United States and we do enforce those … we need other countries to do the same," Mandelker said. He noted that the U.S. government will also urge other countries to implement more regulation of cryptocurrencies.

In the summer, the Treasury went after the **BTC-e bitcoin exchange**, the Russian cryptocurrency platform, and fined it $100 million for allegedly participating in illicit practices that included computer hacking, ransomware and drug trafficking.

The U.S. isn't the only country looking to crack down on the cryptocurrency market. **Bitcoin** dropped 14 percent on Tuesday (Jan. 16), hitting its lowest point in a month and trading at below $12,000 a unit, as concerns emerge that a regulatory crackdown is imminent in several nations worldwide.

South Korea, which has been a bit back-and-forth on the issue, announced last week (via the Justice Ministry) that it would be banning bitcoin exchanges before announcing (via the Blue House) that it actually would **not be banning** bitcoin after all. The uncertainty continued this week, when South Korea further "clarified" that the nation is not banning bitcoin now, but could ban cryptocurrency trading in the future.

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RIDESHARING

Grab Grabs Digital Payment Startup iKaaz

By PYMNTS

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Grab, the Southeast Asia ridesharing company, has inked a deal to acquire **iKaaz**, the mobile payment startup hailing from India.

According to news from **TechCrunch**, under the deal, the engineering team of iKaaz will join Grab's engineering office in Bangalore, which opened in 2017. Specific terms of the acquisition were not disclosed.

The FinTech startup iKaaz, which was founded in 2012, has a cloud-based platform for online merchants, point-of-sale hardware for retailers and a mobile wallet for customers who want to

make digital payments. Once the deal between the two companies is complete, the mobile wallet, dubbed MOWA, will be the only service that is not discontinued.

“The existing MOWA wallet that serves the India market will continue as a separate company with its own leadership and staffing. iKaaz’s existing client-facing business will be separated into a separate entity, which will continue to support its merchant and bank contracts in India,” a Grab spokesperson told the newswire.

TechCrunch speculated that with the acquisition, **Grab** will likely tap iKaaz’s product knowledge to expand its GrabPay service, which it started developing in 2016. Last year, Grab purchased Kudo, an Indonesian startup, for $100 million to expand its network offline. GrabPay was made available to Singapore merchants in November with plans to expand the service in Malaysia, Indonesia and other areas in Southeast Asia.

The acquisition comes as Grab is in growth mode, with a report surfacing this past summer that it’s looking to raise **$1 billion** in venture capital funding. According to a report at the time, Alibaba Founder Jack Ma could team up with SoftBank to jointly invest $1.5 billion in Grab through his eCommerce company or Ant Financial, the financial arm of the enterprise. With the backing, the investors are hoping the ridesharing company can better compete against Uber Technologies in Southeast Asia. Didi Chuxing, the leading carsharing company in China, is already an investor in Grab and is also mulling participating in the latest venture capital round.

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REGULATION

Trump Administration Delays Financial Regulatory Relief Bill

By PYMNTS

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Mark Calabria, chief economist for Vice President Mike Pence, warned Wednesday (Jan. 17) that a financial regulatory relief legislation will have to get in line behind other policy initiatives.

American Banker, citing comments Calabria made to the Exchequer Club, a Washington group that meets to examine financial policy issues, reported that the bill's passage could be delayed as lawmakers focus on other things first.

"The question really is, where is it going to be in the queue and will [Congress] get to it before" the midterm elections, Calabria reportedly said. Subsequently, he told reporters that the bill's chance of going through before the midterm elections is under 50 percent.

The bipartisan bill, which was agreed upon in December between the Democrats and Senate Banking Committee Chairman Mike Crapo, would raise the asset threshold under the **Dodd-Frank Act** from $50 billion to $250 billion. That would mean in order to be considered a "systemically important financial institution," the company would have to be worth at least $250 billion. The bill also includes reforms that would help community and medium-sized banks.

Calabria did note the bill should have support of both Republicans and Democrats, but getting it passed is a timing issue. "The only reason I think anyone could have a problem with the Crapo bill is it doesn't go far enough," he reportedly remarked. Budget deadlines could delay the bill passage as well.

The White House official also said that while the Trump administration isn't looking to dismantle the **Consumer Financial Protection Bureau**, it won't be as partisan under the new head. "You will see a CFPB that issues rules, takes comments [and] reads the Administrative Procedure Act," he said. "More consumer protection, less social engineering and staying consistent with what the statute actually says."

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CFPB

CFPB Asks Public How It's Doing

By PYMNTS

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The Consumer Financial Protection Bureau (CFPB) under Acting Director Mick Mulvaney is seeking out public comment to ascertain if the government watchdog agency is fulfilling its mission.

In a press release issued on Wednesday (Jan. 17), the CFPB said it is issuing a "call for evidence" to make sure the agency, which was created by the Obama administration, is acting in an appropriate manner to best protect consumers. The **CFPB** said that in the next few weeks it will publish in the Federal Register a series of requests for information, looking for comments on enforcement, supervision, rulemaking, market monitoring and education efforts. The request for information, said the CFPB, will give the public the opportunity to provide feedback and offer up ways to improve the agency.

"In this New Year, and under new leadership, it is natural for the Bureau to critically examine its policies and practices to ensure they align with the Bureau's statutory mandate. Moving forward, the Bureau will consistently seek out constructive feedback and welcome ideas for improvement," said Bureau Acting Director Mick Mulvaney in the press release. "Much can be done to facilitate greater consumer choice and efficient markets, while vigorously enforcing consumer financial law

in a way that guarantees due process. I look forward to receiving public comments in response to this call for evidence and encourage all interested parties to participate."

The CFPB said the first request for information will deal with civil investigative demands, which the agency said are issued as part of an enforcement investigation. Comments will help determine if any changes to the processes and procedures are necessary.

The statement on the part of the CFPB comes a day after it said it would reexamine the **payday law** put into effect under former CFPB Head Richard Cordray. According to a report in *The Washington Examiner*, Mulvaney said in a statement that: "The bureau intends to engage in a rulemaking process so that the bureau may reconsider the payday rule."

In October, Cordray finalized the rule that would require lenders to conduct background checks, to show that borrowers can afford the loans and to limit the number of loans made to a single borrower. That rule has received a lot of pushback from payday lenders, which contend that it prohibits them from issuing almost all of the loans they currently grant to consumers. As the rule is reconsidered, the CFPB said it would ponder granting waivers to companies that want to avoid the earliest deadlines it set forth.

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TO TOP